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UNIDOS DE AMÉRICA

**MEXICO**

# QUARTERLY REPORT APRIL - JUNE 2010

**USAID/MEXICO COMPETITIVENESS PROGRAM**

**Contract: EEM-I-00-07-00004-00**

**9 July 2010**

*[Per COTR instructions, reports submitted to the DEC include only those sections deemed to be of value for ongoing development consideration. This report therefore excludes administrative sections.]*

This report was produced by Abt Associates Inc. for the United States Agency for International Development.

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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# ACRONYMS

<b>AMSDE:</b>	Asociación Mexicana de Secretarios de Desarrollo Económico A.C. (Mexican Association of Secretaries of Economic Development)
<b>ANEAS:</b>	Asociación Nacional de Empresas de Agua y saneamiento de México AC (National Association of Water and Sanitation of Mexico)
<b>BNDES:</b>	Banco Nacional de Desenvolvimento Econômico e Social (National Development Bank of Brazil)
<b>C1:</b>	Component 1
<b>CASFA:</b>	Centro Agroecológico San Francisco de Asís (Agroecological Center San Francisco de Asis)
<b>CCMSS:</b>	Consejo Civil Mexicano Para la Silvicultura Sostenible (Mexican Civil Council for Sustainable Forestry)
<b>CEIBA:</b>	Centro interdisciplinario de Biodiversidad y Ambiente (Biodiversity and Environmental Interdisciplinary Center)
<b>CFC:</b>	Comisión Federal de Competencia (Federal Competition Commission)
<b>CFE:</b>	Comisión Federal de Electricidad (Federal Electricity Commission)
<b>CIDAC:</b>	Centro de Investigación para el Desarrollo, A.C. (Centre for Development Research)
<b>CNA:</b>	Comisión Nacional del Agua (National Water Commission)
<b>CNBV:</b>	Comisión nacional bancaria y de valores (National Banking Securities Commission)
<b>CO2:</b>	Carbon dioxide
<b>COFECO:</b>	Comision Federal de Competencia (Federal Competition Commission)
<b>COFEMER:</b>	Comisión Federal de Mejora Regulatoria (Federal Commission on Regulatory Improvement)
<b>COFETEL:</b>	Comisión Federal de Telecomunicaciones (Federal Telecommunications Commission)
<b>COLCAMI:</b>	Consortio Latinoamericano para Capacitación en Microfinanciamiento (Latin American Consortium for Training in Microfinance)
<b>COLEF:</b>	Colegio de la Frontera Norte (North Border School)
<b>CONABIO:</b>	Comisión Nacional para el Conocimiento y Uso de la Biodiversidad (National Commission for Investigation in and Usage of Biodiversity)
<b>CONAFOR:</b>	Comisión Nacional Forestal (National Forestry Commission)
<b>CONANP:</b>	Comisión Nacional de Áreas Naturales Protegidas (National Commission on Natural Protected Areas)
<b>CONOCER:</b>	Conocimiento Competitividad Crecimiento (a program for the certification of capacities from the Ministry of Education)
<b>COP:</b>	Chief of Party
<b>COP 16:</b>	Conference of the Parties to the United Nations Framework Convention on Climate Change, Cancún Quintana Roo November 29 <sup>th</sup> – December 10 <sup>th</sup> 2010
<b>COTR:</b>	Contracting Officer's Technical Representative
<b>CRE:</b>	Comisión Reguladora de Energía (Energy Regulatory Commission)
<b>ECOSUR:</b>	El Colegio de la Frontera Sur (South Border School)
<b>EG:</b>	Economic Growth
<b>EMG:</b>	Energy Markets Group
<b>EMS:</b>	Environmental Management System
<b>ESIDET:</b>	Encuesta sobre Investigación y Desarrollo Tecnológico (Survey Research and Technological

	Development)
<b>FINEP:</b>	Financiera de Estudios e Proyectos (Financier of Studies and Projects)
<b>FONCET:</b>	Fondo de Conservación El Triunfo (El Triunfo Conservation Fund)
<b>GDF:</b>	Gobierno del Distrito Federal (Mexico City Government)
<b>GDP:</b>	Gross Domestic Product
<b>GEF:</b>	Global Environment Facility
<b>GIS:</b>	Geographic Information System
<b>GOM:</b>	Government of Mexico
<b>HR:</b>	Human Resources
<b>IDEA:</b>	Implementación, Diseño, Evaluación y Análisis de Políticas Públicas (Implementation, Design, Evaluation and Public Policy Analysis)
<b>IMCO:</b>	Instituto Mexicano para la Competitividad (Mexican Institute for Competitiveness)
<b>IMIP:</b>	Instituto Municipal de Investigación y Planeación (Municipal Planning Institute)
<b>INFONAVIT:</b>	Instituto del fondo nacional de la Vivienda para los Trabajadores (Institute of the National Fund for Workers Housing)
<b>INSME:</b>	International Network for Small and Medium Sized Enterprises
<b>IOA:</b>	Institute of the Americas
<b>IT:</b>	Information Technology
<b>ITAM:</b>	Instituto Tecnológico Autónomo de México (Autonomous Technological Institute of Mexico)
<b>LAC:</b>	Latin America and the Caribbean
<b>LAWEA:</b>	Latin American Wind Energy Association
<b>LG:</b>	Lieutenant Governors
<b>MBA:</b>	Master in Business Administration
<b>MBC:</b>	Mesoamerican Biological Corridor
<b>MEO:</b>	Mission Environmental Officer
<b>MFI:</b>	Micro Finance Institutions
<b>MRV:</b>	Measuring, Reporting and Verification
<b>MX:</b>	Mexican Peso
<b>NAICOM:</b>	North American Index of Economic Competition and Consumer Rights
<b>NAMA:</b>	Nationally Appropriate Mitigation Actions
<b>NGO:</b>	Non-governmental organization
<b>NLGA:</b>	National Lieutenant Governors Association
<b>OCDE:</b>	Organización para la Cooperación y el Desarrollo Económico (Organization for Economic Cooperation and Development)
<b>PA:</b>	Protected Areas
<b>PECC:</b>	Programa Especial de Cambio Climático (Special Climate Change Program)
<b>PEMEX:</b>	Petroleos Mexicanos (Mexico's National Oil Company)
<b>PES:</b>	Payment for Environmental Services
<b>PIN:</b>	Project Identification Note
<b>PMP:</b>	Performance Monitoring Plan
<b>PUP:</b>	Public Use Plan
<b>PyME:</b>	Pequeña y Mediana Empresa (Small and Medium Enterprise)
<b>RE:</b>	Renewable Energy

<b>REDD:</b>	Reducing Emissions from Deforestation and Forest Degradation
<b>SEDECO:</b>	Secretaría de Desarrollo Económico (State level Secretariat of Economic Development)
<b>SEMARNAT:</b>	Secretaría de medio ambiente y recursos naturales (Ministry for Environment and Natural Resources)
<b>SENDAS:</b>	Senderos y Encuentros para un Desarrollo Autónomo Sustentable (Paths and Meetings for Sustainable Self-Development)
<b>SENER:</b>	Secretaría de Energía (Energy Ministry)
<b>SIEM:</b>	Sistema de Información Empresarial Mexicano (Mexican Business Information System)
<b>SME:</b>	Small and Medium Sized Enterprise
<b>SOW:</b>	Scope of Work
<b>TDA:</b>	Trade Development Agency
<b>UCAI:</b>	Unidad Coordinadora de Asuntos Internacionales (International Affairs Coordination Unit)
<b>UNDP:</b>	United Nations Development Programme
<b>US:</b>	United States
<b>USAID:</b>	United States Agency for International Development
<b>USG:</b>	United States Government
<b>WR:</b>	Weekly Report

# OVERVIEW OF PROGRAM

The USAID/Mexico Competitiveness Program seeks to improve environmental management, private sector economic competitiveness, and selected factor markets, by building sustainable support among government stakeholders and citizens to implement substantive changes in governance. The Program integrates several objectives: 1) sustainable environmental governance and management, including biodiversity conservation and the advancement of Mexico's climate change agenda; 2) increased private sector competitiveness in Mexico by supporting efforts to improve programs that foster business innovation and competition; 3) more efficient factor and precursor markets through promotion of capital available to small businesses, financially sustainable urban water service, and increased investment in renewable energy. The Program builds on prior USAID efforts in Mexico to achieve sustainable reforms by improving transparency, strengthening civil society participation, and promoting accountability. This report highlights achievements during the third quarter of Program FY2010, April 1 – June 30, 2010, with a focus on technical activities, administrative issues that affect implementation, and grants management. The Program's three governance areas address:

## **1. Environmental management**

**Public policy to protect ecosystems mitigate climate change:** Build and/or support institutional capacity to develop and implement public policies addressing biodiversity and climate change; support citizen-based monitoring and evaluation of Mexico's forests and forestry policies; advise on greening local government; assist land use planning to protect biodiversity.

**Value Chains for Sustainably Produced Goods:** Remove obstacles to competitive forestry; promote sustainable value chains in high biodiversity areas.

**Payment for Environmental Services:** Promote pilot projects for Reduced Emissions from Deforestation and Forest Degradation (REDD) and carbon capture; advise on and support payment for hydrological services in key watersheds.

**Ecotourism:** Develop public use plans for ecotourism; undertake sector planning; assist with site development; provide training and capacity-building for community members.

## **2. Efficient and effective economic governance**

**Public policies and programs for competitiveness and innovation:** Undertake SME research and disseminate innovation policies;

**Strengthening Competition Policy:** Support Mexican Network on Competition and Regulation; provide technical assistance to Federal Competition Commission (CFC) and Federal Judiciary.

## **3. More efficient factor and precursor markets**

**Capital for micro and small enterprises:** Increase access to capital for productive investment by improving microfinance regulation and strengthening the capacity of microfinance institutions.

**Water service:** Improve the quality and sustainability of urban water service through technical assistance and dissemination of best practices; support public campaign on the value of water.

**Renewable energy (RE):** Identify municipal bottlenecks in renewable energy projects; promote self-supply and cross-border export of RE; develop productive projects in rural areas that require renewable energy; foster the market for sustainable housing.

# SUMMARY OF ACCOMPLISHMENTS

During the third quarter of fiscal 2010, the USAID/Mexico Competitiveness Program made advances in all areas of its work plan, and deepened its work on climate change. In particular, the Program launched a project to develop Nationally Appropriate Mitigation Actions (NAMAs) for the steel and cement sectors in Mexico, and completed “mock ups” for a web-based monitoring system for the government’s Special Program on Climate Change. In addition, USAID informed the Program that significant climate change resources would be obligated for FY2011, focusing on sustainable landscapes (REDD) and clean energy. The Program has therefore begun intensive consultations with SEMARNAT, CONAFOR, and a range of federal and state renewable energy stakeholders, in order to develop a coherent work plan for the next year.

One of the Program’s most noteworthy activities during the quarter was a two-day visit to Ciudad Juarez/El Paso. Four staff members from the Program and two USAID staff members participated. The purpose of the visit was to present the Program to diverse Juarez stakeholders from the public, private and NGO sectors, and explore opportunities for establishing projects in the city. Meetings included: the Border Environment Cooperation Commission (BECC), Colegio de la Frontera Norte (COLEF) Juarez, Paso del Norte Group (a Juarez/El Paso business group), the Municipal Planning Institute (IMIP), *Plan Estrategico Juarez* (local policy NGO), the local water service provider, and the Municipal President. Based on these consultations, Program staff presented ten proposals to USAID covering SME promotion and innovation, urban water service, renewable energy and efficiency, and the development of state-level climate change mitigation strategies. Decisions about which Juarez-focused activities should be incorporated in the FY2011 work plan will be made in the fourth quarter.

## **Component 1. Environmental Management**

- CCMSS produced a report on “State of Mexican Forests” and presented it to Mexican environmental NGOs to engage them in the preparation of the report. CCMSS will present the final report to the Mexican Government in the fourth quarter.
- Abt Associates completed mock-ups of the monitoring/reporting system for the government’s Special Program on Climate Change, and presented data entry screens to SEMARNAT staff for review.
- The Program held second and third trainings on ecotourism for CONANP and communities living in wetlands on the Coast of Oaxaca.
- Program consultants presented preliminary findings on the establishment of a mechanism for Payment for Environmental Services (PES) to the National Water Commission (CNA) and the Operational and Advisory Council of the Lerma Chapala Watershed
- Grantee CEIBA held a workshop on lessons learned from Payment for Environmental Services and natural resource management programs for Reduced Emissions from Deforestation and Forest Degradation (REDD).
- The Program held consultative workshop with the National Commission of Natural Protected Areas (CONANP) to identify legal and regulatory bottlenecks that need to be reformed to strengthen natural protected area management. The workshop served to establish priorities for Program technical assistance.



- Grantee Ambio presented the Ocote REDD pilot to the regional National Forestry Commission (CONAFOR) in Tuxtla Gutierrez, Chiapas.
- The Program held a workshop with the Mesoamerican Biological Corridor (MBC) to develop a strategy to implement a GEF Grant for the project “Fostering sustainable and competitive production systems consistent with the conservation of biodiversity.”
- Fondo Comunitario Oaxaca organized working sessions with communities in the Coast of Oaxaca to assess ecotourism potential. The grantee also initiated discussions with local and federal authorities to develop land use plans that promote ecotourism and protect important species, such as sea turtles.

### **Component 2. More Effective Economic Governance**

- Sponsored three-day seminar on “The Importance of Access to Air Transport Services: Liberalization in Aviation Markets”.
- Competition video produced by Program grantee CIDAC was shown on the Metrobus in Mexico City, reaching over 300,000 passengers.
- The Program reached agreement with the State Government of Baja California (Secretary of Economic Promotion and the Energy Commissioner) on the Program’s technical assistance to develop a state program to promote value chains in renewable energy.
- The Program co-sponsored a conference on value chains for wind energy with LAWEA (Latin America Wind Energy Association).
- The Program supported a study tour to Rio de Janeiro for the sixth annual Conference of INSME that focused on SME innovation programs and meetings with the Brazilian Bank of Development and FINEP (a special fund to the Ministry of Science and Technology) to discuss innovation policies.
- The Program supported the travel of the President of the Federal Competition Commission (CFC) and two high ranking COFECO officials to the trilateral NAFTA Meeting of Regulation Authorities in Washington DC.

### **Component 3. More Efficient Factor and Precursor Markets**

- Subcontractor IRG carried out field work (surveys, interviews, focus group) and collected data for water service providers in Tuxtla Gutierrez, Morelia and Naucalpan.
- The Program co-sponsored with ANEAS the 7th national meeting of water culture in Tuxtla Gutierrez, Chiapas. In particular, the event supported a social communication seminar for water providers, which included the launch of a contest for best publicity proposal that promotes payment of service and sustainable consumption of water. The rules for a prize for the best proposal were authorized and published on ANEAS website.
- ITAM delivered the complete manuscript for a book on renewable energy potential and policy recommendations for all major RE sectors.
- The Program supported participation of one SENER and two CRE officials in a World Resources Institute conference on renewable energy regulation, held in Cape Town, South Africa.
- Program consultants developed general guidelines for a technical committee to evaluate the GDF solar water heating norms.
- Draft study on reduction of CO2 emission reductions from solar water heating standard was presented to GDF.
- The Government of Mexico City requested that a group of environmental and resource conservation consultants supported by the Program become part of its “Subcomisión de Energía Renovable”.

- Booklet on guidelines for development of RE projects for municipalities was published.
- The Program supported two municipal seminars on RE project promotion (Cuernavaca and Guadalajara).

A more detailed description of **technical activities** carried out in the quarter is provided in Annex 2.

## TRAINING AND CAPACITY-BUILDING (APRIL – JUNE 2010)

DATES		LOCATION	COURSE / EVENT	AUDIENCE SIZE	MALE	FEMALE
FROM	TO					
April 17, 2010		Tuxtla Gtz., Chis	Water Culture National Meeting	59	37	22
April 19, 2010		Mexico City	Workshop on planning the report: State of the Mexican Forests	28	19	9
April 21, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation	7	6	1
April 22, 2010	April 23, 2010	Mexico City	Market Access to Air Transport Services and its Consequences	112	80	32
April 22, 2010	April 23, 2010	Acepatahua, Chiapas	Assessment of Responsible Fishing	37	34	3
April 29, 2010	April 30, 2010	Huatulco, Oax	Latin America Wind Energy Association- Workshop on Chain Supply Opportunities	5	5	
May 3, 2010	May 7, 2010	Huatulco , Oax	Second training on Ecotourism for CONANP			
May 7, 2010	May 15, 2010	Rio de Janeiro, Brazil	6th INSME Association Annual Meeting	4	4	
May 7, 2010	May 8, 2010	Ejido San Pedro Buenavista, Acajete, Veracruz	Workshop on commercial forestal plantations	13	13	
May 8, 2010		Vega del Pixquiác, Acajete, Veracruz	Workshop on Ecotourism organization	23	23	
May 13, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation	8	8	
May 14, 2010		Ejido San Pedro Buenavista, Acajete, Veracruz	Workshop on commercial forestal plantations			
May 14, 2010	May 15, 2010	Ecoturismo La Mancha, Veracruz	Tour to exchange best practices on ecotourism	27	24	3
May 14, 2010	May 24, 2010	Capetown, South Africa	Forum Change Clean Energy, Good Governance and Electricity in South Africa	5	4	1
May 22, 2010	May 23, 2010	La Orduña, Coatepec, Veracruz	Workshop on carpentry	8	8	
May 22, 2010		Rancho Viejo, Tlalnehuayocán, Veracruz	Workshop on enviromental awareness	30	16	14
May 25, 2010	May 26, 2010	Ranchería El Castaño, Municipio de Mapastepec, Chiapas	Set the principles and rules for responsible fishing and build the project for the regulations of responsible fishing	72	58	14
May 25, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation	13	8	5
May 27, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation			

May 27, 2010		Zoncuantal, Coatepec, Veracruz	Workshop on environmental awareness	30	16	14
May 28, 2010	May 29, 2010	La Orduña, Coatepec, Veracruz	Workshop on carpentry			
May 28, 2010		Ejido San Pedro Buenavista, Acajete, Veracruz	Workshop on commercial forestal plantations			
May 30, 2010		Cafaselva, Cahavarrillo, Veracruz	Tour to exchange best practices on ecotourism			
May 31, 2010		Municipio Escobilla, Oaxaca	Community Environmental Management at the Oaxaca Shore Forum	9	5	4
June 1, 2010		Municipio Zapotalito, Oaxaca	Community Environmental Management at the Oaxaca Shore Forum	15	13	2
June 1, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation	13	8	5
June 2, 2010		Cuernavaca, Mor.	Renewable Energy Project Development for Municipalities Seminar	98	85	13
June 2, 2010		Municipio El Venado, Oaxaca	Community Environmental Management at the Oaxaca Shore Forum	10	5	5
June 3, 2010		Municipio Santa María Colotepec, Oaxaca	Community Environmental Management at the Oaxaca Shore Forum	23	13	10
June 4, 2010		Municipio Vainilla, Oaxaca	Community Environmental Management at the Oaxaca Shore Forum	7	5	2
June 3, 2010	June 4, 2010	Rancho el Mirador (cuenca del Río Pixquica), Veracruz	Workshop on criteria and technical guidelines to Operate the Rio Pixquiac Watershed Committee	25	8	17
June 4, 2010		Las Vegas, Perote, Veracruz	Workshop on best practices of sustainable forestry management	20	20	
June 5, 2010		Tlalnehuayocán, Veracruz	Workshop on best practices of sustainable forestry management			
June 7, 2010		Mexico City	Workshop on contractual model for a right local execution of REDD	30	16	14
June 7, 2010		Municipio Ventanilla, Oaxaca	Community Environmental Management at the Oaxaca Shore Forum	6	6	
June 8, 2010		Mexico City	Meeting of the Mexican Network of Competence and Regulation			
June 9, 2010	June 11, 2010	Rancho Viejo, Tlalnehuayocán, Veracruz	Workshop on evaluation and inquiry on the Rio Pixquiac Watershed Management Plan	49	39	10
June 28, 2010		Guadalajara, Jal.	Renewable Energy Project Development for Municipalities Seminar	133	113	20
June 29, 2010		Mexico City	Smart Grid Maturity Model Workshop	22	21	1
<b>TOTAL</b>				<b>941</b>	<b>720</b>	<b>221</b>

# GRANTS

NGOs participating in USAID/Mexico Competitiveness Program's small grants initiative were highly active during the third quarter of FY 2010. The grants program has influenced the policy dialogue on competition, and presented best practices on a range of environmental, production and natural resource management practices. It has also strengthened the institutional capacity of participating NGOs. The Program received 16 reports during the quarter. There were no major interruptions and expenditures are on target.

## Deliverables:

- **Ambio** submitted its second report for the Ocote REDD pilot project to CONANP and to the Program. Highlights include: new carbon measures, narratives of the exchange trainings on sustainable practices for the communities and training in GIS monitoring for community members (carried out by El Colegio de Michoacán and co-sponsored by CONAFOR).
- **Centro Agroecológico San Francisco de Asís (CASFA)** presented its second and third deliverables for the sustainable fisheries in the Encrucijada Biosphere Reserve. During the past months the NGO has been working closely with cooperatives of fishermen to achieve: a) collective action, b) awareness and training on environmental best practices, c) agreement on the definition of sustainable fishing in their context.
- **Centro Interdisciplinario de Biodiversidad y Ambiente (CEIBA)** held a workshop on the limitations of Mexico's regulatory framework governing projects on Reduced Emissions from Deforestation and Forest Degradation (REDD) focused particularly on small landowners and *ejidos*.
- **Centro de Investigación para el Desarrollo (CIDAC)** delivered two reports detailing the activities of the Competition Network in the past months. The network's main achievements include: drafts for three books on regulation, papers from an essay contest and policy briefs –including a discussion on concepts included in the new Competition and Regulation Law.
- **Fondo de Conservación El Triunfo (FONCET)** presented a report on best practice training for honey producers in the El Triunfo Reserve.
- **Fundación Comunitaria Oaxaca** sent its first report, which includes diagnostics on economic activities carried out in the coast of Oaxaca. While several forums were carried out with the communities to discuss challenges, state authorities were not able to participate due to local elections.
- **Natura y Ecosistemas Mexicanos**
  - Ecotourism Plan for Marqués de Comillas Chiapas. The NGO presented operational plans and financial projections for seven potential ecotourism sites.
  - Public Use Plan for the Montes Azules Biosphere Reserve. At CONANP's request, the NGO created the operation manual and regulations for five sites in the Reserve. Natura is also documenting its experiences during the consultation process and negotiations with local communities and government authorities.
  - Galacia Ecotourism Center. Delivery of two progress reports which include descriptions of program to develop English language capacity, maintenance, boating, cleaning, cooking, computer skills and operations trainings; finalized legal paperwork for the ecotourism lodge where the community commits to preserve 80 ha of jungle; operations manual.

- **Pronatura Sur** achieved its first milestone for the PES feasibility analysis in San Cristobal de las Casas. The NGO produced a report analyzing the legal framework and existing PES models in Mexico. The report will be shared with CONAFOR.
- **Senderos y Encuentros para un Desarrollo Autónomo Sustentable (SENDAS)** presented its second activity report on strengthening the Watershed Committee of the Pixquiac River (COCUPIX). The NGO made progress in creating the guidelines for COCUPIX and training in best practices for ecotourism and other sustainable economic activities.
- **Uyool ché** achieved its first goal by completing its Project Identification Note (PIN) to certify the Much Kanan Kaax Reserve in Quintana Roo under the Plan Vivo scheme.

#### **Admin/Others**

- CONAFOR included Ambio's Ocote Reserve REDD pilot in its presentation of the National REDD strategy in public forums and has used the case in the Readiness Preparation Plan presented to the World Bank.
- For logistical reasons CEIBA and CIDAC requested amendments to the dates of their third and second deliverables, respectively, for the month of May and June.
- Prior to presenting their first deliverable, SENDAS requested to modify their payment scheme. As the NGO has clearly identified costs for each activity and since it is the first time that we've worked with them, changes were approved.
- Heated state elections in Veracruz and Oaxaca have represented a significant obstacle for public-private dialogue activities for NGOs SENDAS and Fundación Comunitaria Oaxaca. In the interim, the NGOs have concentrated on technical and analytical activities, and have committed to achieving their targets on time by the end of August.
- The COP, component leader and grants manager had a meeting with Javier de la Maza and Julia Carabias to share feedback and evaluate Natura's progress.

#### **Field Visits by Program Grants Manager and Staff**

- **Fundación Comunitaria Oaxaca- Vainilla, Oaxaca.** Participation at a public-private forum hosted by Fundación Comunitaria Oaxaca by the communities of the Red de Humedales de la Costa de Oaxaca and municipal and federal authorities. Members of the community discussed their problems to attract sufficient ecotourism while complying with environmental regulations.
- **FONCET- El Triunfo Biosphere Reserve, Chiapas.** Observation of a sustainable apiculture training session hosted and to supervise purchase of equipment for the training.
- **Natura y Ecosistemas Mexicanos- Lacandona Jungle, Chiapas.** Two Program staffers organized a trip to Chiapas for USAID LAC/HR director, Deputy Mission Director, and USAID Natural Resource Advisor. The group visited the Galacia and Marqués de Comillas ecotourism grant activities and received in-depth briefings on activity progress for the public use plan of the Montes Azules Biosphere Reserve.
- **Ambio- El Ocote and Tuxtla Gutierrez, Chiapas.** Grants Manager visited the Tuxtla Gutierrez and Ocote Biosphere Reserve to support and supervise grantee Ambio, which presented the REDD pilot project to CONAFOR and provided training on carbon markets to CONANP staff.

# IMPORTANT PROGRAM TOPICS REPORT-OUT

## SUPPORT TO USAID AND U.S. EMBASSY

- Organized site visit to Chiapas on Program's ecotourism work for USAID human resources officer, Deputy Chief of Mission and Mission natural resources advisor. Included 3-day tour, visits to project sites and interviews with Program partners, as well as technical briefing by the Program's environmental management component leader and grants manager.
- At Embassy and USAID's request, organized two-day visit to Ciudad Juarez/El Paso. Four staff members from the Program and two USAID staff members participated. The purpose of the visit was to present the Program to diverse Juarez stakeholders from the public, private and NGO sectors, and explore opportunities for establishing projects in the city. Meetings included: Border Environment Cooperation Commission, Colegio del Norte Juarez, Paso del Norte (Juarez/El Paso business group), the Municipal Planning Institute (IMIP), *Plan Estrategico Juarez* (local policy NGO), the local water service provider, and the Municipal President. Based on these consultations, Program staff presented ten proposals to USAID covering SME promotion and innovation, urban water service, renewable energy efficiency, and the development of state-level climate change mitigation strategies.
- Co-sponsored with State Department and Department of Energy a one-day Smart Grid workshop for 22 government officials from the Energy Ministry (SENER) and Federal Electricity Commission (CFE), conducted under the framework of the U.S.-Mexico Cross-Border Electricity Task Force.
- Provided NGO contacts working on transparency for a delegation from USAID/Dominican Republic.
- Organized visit by National Lieutenant Governors Association (two LGs and the NLGA director) to SENER (programmed for July 6).

## MEETINGS WITH USAID

- Presented summary of Program to incoming USAID Economic Growth Team Leader.
- Updated USAID and Embassy staff on Program's renewable energy and climate change activities.
- Participated in Ministry of Environment (UCAI) meeting with international donors to coordinate assistance on climate change and COP 16 (COTR and MEO attended).
- Updated USAID on progress developing renewable energy activities since Jan 25 roundtable.
- COP, component leaders, grants manager and research director gave presentation on Program's climate change activities to USAID/Mexico and visiting official from USAID Office of Administrator in Washington. USAID informed the Program that an additional \$3.4 million would be obligated in project FY 2010 for climate change activities, to be used during the project FY 2011. The \$3.4 million is to be divided between Sustainable Landscapes/REDD (\$1.8m) and Clean Energy (\$1.6m).
- EG Team leader, COTR, Natural Resources Advisor, C1 lead, Grants Manager and Research Director met with Juan Mata and other members of SEMARNAT's climate change team. The main goal was for SEMARNAT to establish guidelines for the use of CC resources.
- C1 Lead and Grants Manager met with USAID and Nature Conservancy leaders to share Program strategy for southeast Mexico, with the goal of enhancing collaboration and avoiding overlap.
- COP and Research Director met with USAID team and three consultants from Energy Markets Group who are preparing a study on Mexican renewable energy for the Trade Development Agency (Dept Commerce). The discussion focused on EMG's task of preparing a "Definitional Mission" that will provide guidance to TDA about what kinds of RE projects to support.

- COP gave overview presentation of the Program to USAID/Mexico Desk Officer.
- Two meetings with USAID in Washington DC:
  - COP and Project Director met with USAID/Washington staff, including LAC Biodiversity and Climate Change Advisor, to discuss the Program's climate change activities.
  - Project Director met with USAID Climate Change Office Director and Climate Change Office REDD Specialist to discuss Program climate change activities.

### **SUPPORT FOR CAPACITY-BUILDING AND INTERNATIONAL NETWORKING**

- The Program supported the participation of one SENER and two CRE officials in a World Resources Institute (WRI) conference on renewable energy regulation, held in Cape Town, South Africa.
- The Program supported a study tour to Rio de Janeiro for the 6<sup>th</sup> annual Conference of INSME that focused on SME innovation programs and meetings with the National Development Bank. The study tour included Program partners from Fundacion IDEA and the National Technology Prize.
- The Program supported travel by the President of the Mexican Federal Competition Commission (CFC) and two high ranking CFC officials to the trilateral NAFTA Meeting of Regulation Authorities in Washington D.C.

### **ENVIRONMENTAL COMPLIANCE**

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in the Program were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold "No Risk." Documentation of this process is available upon request.

### **MEXICO COMPETITIVENESS PROGRAM IN USAID WEEKLY REPORTS**

The most important indicators of Program effectiveness are found in the Performance Management Plan. However, we are also tracking a separate indicator that suggests the relative importance of Program activities for USAID itself. While it is not possible to create a perfect indicator of this subjective idea, we use content included in the USAID/Mexico Weekly Reports (WRs) as a proxy. During the third quarter of FY 2010 (April-June 2010), Mexico Competitiveness Program activities accounted for 30 percent of all WR items.

## **CONCLUSION**

During the third quarter, the Program made considerable progress in incorporating new climate change activities into its evolving work plan, while continuing to build on ongoing activities. As the Program moves into the final quarter of FY2010 – and the end of its second year -- it has developed strong and productive partnerships with relevant GoM counterparts working on the environment (SEMARNAT, CONAFOR, CONANP, CONABIO), economic policy and financial regulation (Ministry of Economy, COFECO, CNBV), energy (SENER, CRE) and water (CNA). In addition, we have developed partnerships with corresponding institutions at the state level. As a result, the Program is well-situated to deliver meaningful results over the next two years. Based on demonstrated commitment from so many key actors responsible for public policy decisions, we are confident that the Program will become a major catalyst in the adoption and implementation of meaningful governance improvements in FY2011 and FY2012.

# ANNEX I: SUMMARY OF WORKPLAN PROGRESS



## COMPONENT I. ENVIRONMENTAL MANAGEMENT

### CI SUBCOMPONENT 1: PUBLIC POLICY

1.1 Institutional Capacity for Public Policies on Biodiversity and Climate Change	Continued development of the monitoring system for the federal government's Special Program on Climate Change. Began work to support the mid-term review on climate change, which will focus on the cement and iron and steel sectors. Identified priority areas that will be addressed through legal reforms to strengthen natural protected area management. Began discussions with the State of Baja California to develop and Energy Profile 2010 – 2020 that would inform energy policies and the State Program on Climate Change.
1.2 Evaluation of Mexico's Forests and Forest Policies	Held workshop with NGOs and research institutions to discuss report's preliminary findings and engage them in the report's preparation.
1.3 Greening Government	Provided recommendations to strengthen the legal instrument for the establishment of the Environmental Management System (EMS) of the Mexico City Government. Initiated the development of training manuals for public officials that will implement the system.
1.4 Land use planning	CentroGeo made advances in the development of a territorial approach for the Usumacinta Region in Mexico, including capacity-building at local universities to monitor environmental conditions in the region.

### CI SUBCOMPONENT 2: VALUE CHAINS FOR SUSTAINABLY PRODUCED GOODS

2.1 Removing obstacles to competitive forestry	10 case studies on community forestry enterprises are underway. Case studies in Durango and Chihuahua were completed.
2.2 Sustainable value chains	CONABIO and the Program agreed on the studies that will be prepared to develop a strategy for sustainable value chains in the Mesoamerican Biological Corridor. Grantees continued projects in different areas in Chiapas on value chains for organic honey, responsible fisheries and <i>palma comedor</i> .

### CI SUBCOMPONENT 3: PAYMENT FOR ENVIRONMENTAL SERVICES

3.1 REDD and Carbon Storage	Grantee CEIBA held a workshop with decision-makers and NGOs to discuss lessons learned from Payment for Environmental Services and natural resource management programs for the development of REDD projects. AMBIO incorporated a fourth community into the REDD pilot project in El Ocote and identified training needs for participating communities. Grantee U'YO'OLCHE continued the development of a carbon sequestration project in Quintana Roo.
3.2 Payment for hydro services	Carried out a survey of almost 2,000 urban dwellers to determine willingness to pay for environmental services in five states in the Lerma – Chapala watershed. Discussed study's preliminary findings with CONAGUA and the operational and advisory council of the watershed. Grantee SENDAS continued project to consolidate the watershed council of the Pixquiatic River, develop value chains on sustainable forestry and ecotourism, and build environmental awareness. Pronatura Sur developed a legal proposal for a PES for hydrological and scenic services in San Cristobal de las Casas, Chiapas.

### CI SUBCOMPONENT 4: ECOTOURISM

4.1 Public use plan Montes Azules	Grantee Natura y Ecosistemas Mexicanos continued the preparation of the public use plan.
4.2 Ecotourism in Marques de Comillas	Grantee Natura y Ecosistemas Mexicanos continued the preparation of the Ecotourism Plan.

4.3 Ecotourism in Ejido Galacia	Grantee Natura oversaw training for <i>ejido</i> members.
4.4 Ecotourism training and planning in wetlands	Second and third training on ecotourism for CONANP staff and communities living in wetlands in the Coast of Oaxaca. FCO initiated assessment of ecotourism development in the coast of Oaxaca and discussions on land use plans to promote ecotourism and protect sea turtles.
<b>COMPONENT 2. ECONOMIC GOVERNANCE</b>	
<b>C2 SUBCOMPONENT 1: PUBLIC POLICIES AND PROGRAMS FOR COMPETITIVENESS AND INNOVATION</b>	
1.1 Innovation strategy and SME research	During FY 2010 all Program activities concerning public sector support for SMEs or innovation have been merged under a single activity “Public Policies and Programs for Competitiveness and Innovation.” (1) Study tour to Rio de Janeiro for the 6th annual Conference of INSME that focused on SME innovation programs; (2) hired consultants for the value chain renewable energy program in Baja California and co-sponsored with LAEWA the conference on value chain for wind energy (3) reached an agreement with the UNDP to assist in the development of a web page tool that identifies potential suppliers in Baja; (4) monitored progress of geo-tagged web instrument to track money allocated to federal programs; (5) monitored progress on study of human capital requirement for emerging sectors and research paper on innovative SMEs in Mexico; (6) Received request from the Ministry of Economy to support the redesign of a database concerning Mexican SMEs; (7) Met with the State Economic Secretary of Morelos to promote Innovation Day in FY2011; (8) Supervised progress for web portal that will display indexes of competitiveness.
<b>C2 SUBCOMPONENT 2: COMPETITION POLICY</b>	
2.1 Competition Network	(1) Meeting with specialists from aviation regulation to discuss potential changes in the regulatory framework of aviation in the three NAFTA countries; (2) Secured an agreement with an advertising firm to broadcast a video on Competition in the Metrobus (3) Participated in closed-door roundtable with legislators to analyze the potential reforms for four regulatory agencies: COFETEL, CRE, CNBV and COFEMER; (4) Discussed book from Prof Boldrin that challenges some intellectual property rights policies; (5) Published three electronic newsletters; (6) Finished a book on regulation and competition the LP gas industry in Mexico; and (7) Published the winners of the second national essay contest concerning competition.
2.2 TA to CFC/Judiciary	(1) Co-sponsored with the MBA program from Anahuac University a 3 day seminar on the importance of Access to Air Transport services and liberalization in Aviations Markets. (2) Technical assistance to document five best international practices concerning the promotion of a culture on competition was extended to implement recommendations of this study. (3) Consultant hired to help COFECO on litigation of competition cases continued to work on case-building; (4) received a request from COFECO to hire a consultant to develop guidelines based on proven methods to undertake and evaluate survey during investigations; (5) COFECO also requested two consultants to develop guidelines for establishing relevant market definition and market power dominance; (6) supported travel of COFECO’s President and two high ranking officers from the regulatory agency to the trilateral NAFTA meeting of regulation authorities in D.C. (7) IMCO made progress on the North American Index of Competition by testing the relevance of 100

	variables through econometrics methods. (8) Consultant hired to write a script for a video that increases awareness on public weak consumer protection selected two cases for research.
<b>COMPONENT 3. EFFICIENT PRECURSOR AND FACTOR MARKETS</b>	
<b>C3 SUBCOMPONENT 1: GREATER ACCESS TO MICROFINANCE</b>	
1.1 Access to microfinance	<ul style="list-style-type: none"> <li>Survey on the definition of microcredit and microfinance was completed; recommendations pending.</li> <li>Program is working with COLCAMI to develop MFI training on RE projects and MFI management manual. Materials to be printed in July.</li> </ul>
<b>C3 SUBCOMPONENT 2: IMPROVED WATER MANAGEMENT</b>	
2.1 Improved water management	<ul style="list-style-type: none"> <li>Program is identifying and selecting consultants to develop the guidelines for Mexico's National Water Program 2013-2018.</li> <li>Field work (surveys, interviews, focus group) carried out for water service providers in Tuxtla Gutierrez, Morelia and Naucalpan.</li> <li>Co-sponsored with ANEAS the 7th national meeting of water culture in Tuxtla Gutierrez, Chiapas. Supported social communication seminar for water providers, which included launch of a contest for best publicity proposal that promotes payment of service and sustainable consumption. The rules for a prize for best proposal that promotes payment for service and sustainable consumption were authorized and published on ANEAS website.</li> </ul>
<b>C3 SUBCOMPONENT 3: RENEWABLE ENERGY PROMOTION</b>	
3.1 Removing obstacles to renewable energy projects	<ul style="list-style-type: none"> <li>Complete manuscript for book on renewable energy potential and policy recommendations delivered by ITAM</li> <li>USAID supported the participation of one SENER and two CRE officials and the General Director of the Centro Mario Molina at the "Clean Energy, Good Governance and Electricity Regulation Forum" organized by the World Resources Institute in Cape Town, South Africa. Energy regulators and experts from four emerging economies (Brazil, India, South Africa and Mexico), the US and UK shared experiences in promoting renewable energy and the increasing role that regulators play in the transition towards clean energy.</li> <li>COLEF delivered a preliminary list of actors (in the private, public and social sectors) that are currently engaged in renewable energy activities in Ciudad Juárez, Chihuahua. During the fourth quarter, COLEF will carry out interviews and focus groups to help assess potential demand for renewable energy self-supply arrangements.</li> <li>General guidelines for the technical committee to evaluate the GDF solar water heating norms developed.</li> <li>Draft study on reduction of CO2 emission reductions from solar water heating standard was presented to GDF.</li> <li>Government of Mexico City requested that a group of environmental and resource conservation consultants supported by the Program become part of its "Subcomisión de Energía Renovable".</li> <li>Booklet with guidelines for development of RE projects for municipalities was published.</li> <li>Program supported two municipal seminars to train local government officials on promotion of RE projects (Cuernavaca and Guadalajara).</li> </ul>
3.2 Green mortgage	<ul style="list-style-type: none"> <li>Meeting with Director of INFONAVIT and agreement on Program's</li> </ul>

	contribution to Green Mortgage initiative, which includes pilot research on new eco-technologies.
<b>C2 SUBCOMPONENT 4: LABOR FORCE PRODUCTIVITY</b>	
4.1 Labor productivity	Main partner for this activity has not delivered an SOW or established union or industry partners. COP will recommend cancellation of this activity.

# ANNEX 2: DESCRIPTION OF TECHNICAL ACTIVITIES CARRIED OUT DURING THE FIRST QUARTER

## Color legend

<b>Blue:</b>	Completed
<b>Green:</b>	On Track
<b>Yellow:</b>	Behind schedule
<b>Red:</b>	Encountering difficulties

# COMPONENT I. ENVIRONMENTAL MANAGEMENT

## CI Subcomponent I: Public policy

### Program Goal

Adopt improvements in public policies related to improved environmental management and mitigation and adaptation to climate change (including policy design, rules of operation, regulation, standards, implementation practices, monitoring and evaluation).

### Year 2 Goals

1. (a) Support modifications in the legal framework and administrative practices to facilitate the implementation of at least two priority environmental public policies; (b) Develop a system and train federal officials to gauge progress in implementing the Special Program on Climate Change; and (c) Develop a mid-term climate change/low-carbon strategy.
2. (a) Develop society-based resources to assess the state of Mexico's forests and how public policies affect them; and (b) share methodology and findings with CONAFOR.
3. Implementation of the Environmental Management System in the Government of Mexico City (GDF).
4. Create and operate networks that generate, disseminate and apply new tools and models that improve territorial approaches to land use, environmental management and biodiversity conservation.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in Component I, Subcomponent I, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold "No Risk." Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

During the third quarter, the Mexico Competitiveness Program focused on supporting efforts to strengthen environmental governance by providing targeted technical assistance aimed at developing public policies and carrying out reforms identified as priorities by the Federal, State, and Local Governments. Key achievements for this subcomponent include the following:

- Development of a PECC Monitoring System. The Special Program on Climate Change (PECC) describes actions that the Federal Public Administration will carry out between 2009 and 2012 to mitigate emissions of greenhouse gases, facilitate adaptation to climate change, and support cross-sectoral coordination for climate change responses. The Program continued the development of a web-based system that will enable SEMARNAT and other agencies to track progress in PECC implementation, take corrective actions (if needed) and improve decision-making. During this quarter, the Program developed the

system's design, making sure it's fully compatible with the PECC and that it meets monitoring and reporting needs. The Program also initiated discussions to ensure the Program is compatible with other government monitoring systems for air pollution and the climate change systems of the oil and forest sectors.

- Support the mid-term review on climate change. The Federal Government is initiating a series of analytical work to inform the development of a mid-term climate change program, for the period between 2012 (when the PECC ends) and 2030. The Program will support some of these studies, particularly those focusing on developing National Appropriate Mitigation Actions (NAMAs) in key economic sectors and elaborating the institutional structure for the adoption of Monitoring, Reporting, and Verification (MRV) protocols. During this quarter, the Program identified cement and steel and iron as the sectors where the development of NAMAs and MRV protocols will focus. The Center for Clean Air Policy (CCAP) initiated discussions with government entities and private sector representatives to ensure their participation in this activity.
- Strengthening the legal framework for management of protected areas (PAs). CONANP has identified a series of reforms needed in various legal instruments that would enable more efficient planning and better regulation of economic activities within PAs. During this quarter, the Program worked with CONANP's officials and other stakeholders to identify the most urgent regulatory bottlenecks that hinder efficient management of PAs. The program also initiated efforts to modify the polygonal of the PA of Cañón del Sumidero in Chiapas, with the aim of including new areas of high biodiversity in good conservation status and excluding large population settlements from the PA's area.
- Sub-national climate change programs. The Program initiated discussions to develop an energy profile 2010 – 2020 for the State of Baja California, which will identify the expected evolution of the energy sector associated economic, environmental, and social indicators in the state. The Profile will identify policy reforms and investments that could be made to provide incentives for a cleaner and more reliable energy supply.
- Civil-society Based Evaluation of Mexico's Forests. The Program is working with civil society organizations to collect, analyze and disseminate information on the state of Mexico's forests and different policies that affect them. This effort is geared towards increasing the accountability of the forestry sector, as well as awareness among different audiences (legislative, forest owners, general public, etc.). During this quarter, the Program met with different NGOs and research institutions working in the forestry sector, which committed to participate in the evaluation.
- Greening Government. The Government of Mexico City (GDF) intends to adopt an Environmental Management System (EMS) that will help to reduce its greenhouse gas emissions and improve its environmental footprint, as well as save economic resources by making more efficient use of water, energy and office supplies, as well as reducing and managing wastes. The EMS will be a high-level policy, supported by the Mayor, and will be mandatory for all the government's agencies. During this quarter, the Program provided recommendations to the legal instrument establishing the EMS and began developing training manuals for the public officials that will implement the EMS.
- Land Use Planning. The Government of Mexico considers land use plans as key instruments to protect the environment and natural resources. The Program is supporting the development of such plans in high biodiversity areas that face significant threats and where there is strong Government and NGO ownership for their use. During this quarter, sub-contractor CentroGeo advanced in the development of a territorial approach for the Usumacinta Region in Mexico. CentroGeo also initiated a capacity-building program in universities of the States of Chiapas and Tabasco, to develop local skills to monitor the environmental conditions of the Usumacinta Region. In addition, Grantee Pronatura initiated work on the evaluation of agricultural, livestock and

environmental policies in the Zoque Jungle. The Program also received a request from the Government of Sonora for technical assistance to develop the ecological land use plan for the entire state.

### Changes in PMP

No changes

### Deliverables:

- Presentation on PECC Monitoring System.
- Annotated index on the “Report on the State of Mexico’s Forests”.
- CCAP progress report
- CONANP workshop minutes and presentation on the Cañón del Sumidero
- Recommendations to GDF on legal agreement establishing the Environmental Management System.
- Progress Report on the proposal of a territorial approach for the Usumacinta Region.

### Events

Workshop on the State of Mexico’s Forests Report, on April 19, 2010.

Workshop to identify regulatory bottlenecks for Protected Area management, on June 23, 2010.

### Publications:

None.

### PMP Indicators:

Indicators (Year 2):

	Total	Achieved Q3	Cumulative FY 2010
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve the sustainable management of natural resources and biodiversity	13	1	1
Number of <b>people receiving USG supported training</b> in natural resources management and/or biodiversity (male/female)	167 / 60	19/9	19/9
Number of <b>public-private dialogue mechanisms utilized</b> as a result of USG assistance	2	0	0
Number of <b>mechanisms for external oversight of public resource use</b> supported by USG assistance implemented	1	0	0



## CI Subcomponent 2: Value Chains for Sustainably Produced Goods

### Program Goal

Increase the capacity of community forestry enterprises to compete in open markets by adopting best practices in production and commercialization.

### Year 2 Goals

1. Produce analysis of obstacles to competitive forestry and recommendations. Initiate public dialogue that reviews findings with key forestry stakeholders; and
2. Produce a strategy to strengthen productive capacities, foster markets for sustainable production, and commercially mainstream sustainable products.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in Component 1, Subcomponent 2, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold "No Risk." Documentation of this process is available upon request

Status: **GREEN**

### Second Quarter Costs (USD)

### Results narrative

The Government of Mexico acknowledges that the conservation and sustainable use of the country's natural resources require that rural communities develop the capacity to sustainably produce goods and services taking advantage of such resources. The Program is working with CONAFOR, CONABIO, and CONANP, the federal agencies that are implementing programs and policies to improve livelihoods of rural communities through the sustainable use of natural resources. Key achievements of this sub-component during this quarter include the following:

- Removing Obstacles to Competitive Forestry. The Program continued the preparation of case studies of community forestry enterprises to identify the main obstacles they face. Studies in one community in La Trinidad, Chihuahua and Pueblo Nuevo, Durango were completed, as well as market analysis on precious woods and pine.
- Sustainable Value Chains in the Mesoamerican Biological Corridor. CONABIO was informed that they will receive a GEF grant to implement a project on sustainable value chains in areas of high biodiversity. The Program agreed with CONABIO on the technical assistance that will be provided to develop a strategy on how the grant will be used and develop an adequate baseline and monitoring system to ensure that the project contributes to biological connectivity in Southern Mexico. During this quarter, the Program agreed with CONABIO on the studies that will be undertaken to develop the strategy.
- Sustainable Value Chains in Natural Protected Areas. Three grants awarded to different NGOs will focus on helping communities to develop value chains for goods that can contribute to biodiversity conservation. Each of these three projects is working closely with a natural protected area managed by CONANP. During this quarter: (i) Pronatura Sur initiated work with camedor palm (ii) Fondo de Conservación el Triunfo (FONCET)

provided training and equipment to support organic honey production; and (iii) the Centro de Agroecología San Francisco de Asís (CASFA) held two workshops with fishermen, government officials and academics to develop a draft community agreement for sustainable fisheries.

### Changes in PMP

No changes

### Deliverables:

- Case studies on community forest enterprises in Chihuahua and Durango and market analysis on precious woods and pine.
- Summary report on workshops on sustainable fisheries organized by CASFA.
- Report of activities from FONCET

### Events

- Workshops on sustainable fisheries organized by CASFA, , Chiapas (Apr. 22-23 and May 25-26)
- Training on organic honey production organized by FONCET, Chiapas (May 17 – 18, 2010)

### Publications:

None.

### PMP Indicators:

Indicators (Year 2):

	Target	Achieved Q3	Cumulative FY 2010
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve the sustainable management of natural resources and biodiversity.	14	0	0
Number of public-private dialogue mechanisms utilized as a result of USG assistance	2	0	0
Number of <b>people receiving USG supported training</b> in natural resources management and/or biodiversity (male/female)	100 / 10	92 / 17	132 / 20

## CI Subcomponent 3: Payment for Environmental Services (PES)

### Program Goal

Create sustainable market for payment of environmental services

### Year 2 Goals

1. Implementation of a pilot REDD project in the Reserve of Selva del Ocote and recommendations for the development of institutional mechanisms that will enable small landowners to participate in the REDD market; and
2. Design and propose mechanisms for payment for hydrological services in watersheds supplying water to key economic and biodiversity areas in Mexico.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in Component 1, Subcomponent 3, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

The Government of Mexico has initiated several programs for payment of environmental services (PES), as part of its strategy to value these services and provide compensation to landowners who manage them sustainably. CONAFOR, using resources generated by water charges, has developed a national program, while also supporting efforts to develop regional markets for PES systems. In addition, other governmental agencies and NGOs have spearheaded efforts to create sustainable and transparent PES systems. Key achievements of this sub-component during the second quarter include the following:

- Institutional Challenges of REDD. Grantee CEIBA, as part of its work on the institutional challenges of implementing a REDD strategy, organized a workshop that brought together key forest sector stakeholders to discuss lessons learned from governmental PES and natural resource management programs that are relevant for REDD. Participants included representatives from CONABIO, CONAFOR, SEMARNAT and several NGOs.
- REDD Pilot in Chiapas. Grantee AMBIO, working jointly with CONANP and ECOSUR, continued its REDD pilot in the Ocote Biosphere Reserve and incorporated a fourth community in its program. AMBIO worked with the communities to identify the areas where they need technical assistance to improve their livelihoods and reduce risks for forested areas. As part of this activity, AMBIO organized “knowledge exchanges”, where community members traveled to other areas of the State of Chiapas to learn about successful natural resource management projects.
- Carbon Sequestration in Quintana Roo. Grantee U’yool’ché continued a project that will focus on monitoring and training locals in land use planning and carbon capture to eventually sell carbon bonds to the tourism sector in Cancún and Riviera Maya.
- Watershed management in Veracruz. SENDAS A.C. continued a project with the

communities that live on the Pixquiac River watershed in Veracruz. During this quarter, SENDAS: a) developed technical and operational guidelines to use the resources generated by the PES mechanisms; b) trained and strengthened local communities' skills in carpentry and ecotourism management and; c) developed materials for a communications campaign to raise awareness about the services provided by the watershed among rural communities.

- Watershed management in Lerma – Chapala. As requested by CONAGUA, the Program carried out an economic assessment of willingness to pay for environmental services in urban locations around the Lerma – Chapala Watershed, including administering close to 2,000 previously-tested surveys to urban citizens in five states. The Program presented its preliminary findings to CONAGUA and Operational and Advisory Council of the Lerma Chapala Watershed. The study found that the vast majority of surveyed individuals would be willing to pay an average amount of MX\$5/month to restore the Lerma-Chapala watershed. The Program also held meetings with farmers, who consume the majority of the basin's water, to understand their concerns and willingness to participate in a program that would support investment in water-saving technologies in exchange for a reduction of water use.
- PES in the Amanalco Watershed. CCMSS is currently developing a proposal for a local PES mechanism in the Valle de Bravo – Amanalco Watershed, which is an important water source for Mexico City and the State of Mexico. During this quarter, CCMSS developed a draft proposal of the trust fund that would be created to manage the PES funds and strengthened their technical proposal.

### Changes in PMP

No changes.

### Deliverables:

- Third deliverables by CEIBA.
- Second deliverable by AMBIO.
- Second deliverable by SENDAS.
- U'yool'ché Carbon Project Idea Note
- Amanalco draft trust fund agreement and technical proposal for PES.
- Draft report on the Lerma – Chapala Watersheds.

### Events

- Presentation of preliminary study of the PES in the Lerma – Chapala Watershed to CONAGUA (May 20) and to the Operational and Advisory Council of the Lerma Chapala Watershed (June 16)
- Workshop on criteria and technical guidelines to Operate the Rio Pixquiac Watershed Committee (June 3 – 4, 2010)
- Workshops on best practices of sustainable forestry management in the context of a PES project (May 7, 8 14 and 28, June 4 – 5, 2010)
- Workshop on contractual model for a right local execution of REDD in Mexico City (June 7, 2010)
- Workshop on evaluation and inquiry on the Rio Pixquiac Watershed Management Plan in Veracruz (June 9 – 11, 2010)
- Trainings on best practices on ecotourism in the context of a PES project in Veracruz, (May 8, 14, 15, and 30 2010)
- Workshop on carpentry in the context of a PES project, Veracruz (May 22 – 23, and 28, 2010)
- Workshop on environmental awareness in the context of a PES project (May 22 and 27, 2010)

**Publications:**

None.

**PMP Indicators:**

Indicators (Year 2):

	Target	Achieved Q3	Cumulative FY 2010
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve the sustainable management of natural resources and biodiversity	10	1	1
Number of people receiving USG supported training in natural resources management and/or biodiversity (male/female)	162 / 18	183 / 71	415 / 84

## CI Subcomponent 4: Ecotourism

### Program Goal

Ecotourism providers adopt best practices and develop a coherent, regional commercialization strategy.

### Year 2 Goals

- Produce and propose a public use plan that balances biodiversity conservation with nature-based tourism development in the Montes Azules Biosphere Reserve;
- Develop a regional ecotourism plan for Marques de Comillas and present to key local stakeholders for review and dialogue;
- Galacia ecotourism site begins operation; and
- Strengthen the capacity of authorities and communities to develop a regional ecotourism plan in a high biodiversity area.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in Component 1, Subcomponent 4, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

The Government of Mexico recognizes the potential of ecotourism as an economic activity that can improve livelihoods, generate resources, and contribute to conservation goals. CONANP has adopted the “National Strategy for the Sustainable Development of Tourism and Recreation in Mexico’s Protected Areas” and the “Program for Tourism in Protected Areas 2007 – 2012”. CONANP is also the focal point for the Ramsar Convention on Wetlands of Global Importance and is therefore supporting the development of ecotourism activities in selected wetlands areas. This sub-component has focused on supporting CONANP to implement these instruments.

Three program activities focus on southern Chiapas and complement each other to promote an integrated approach to ecotourism development. These are:

- Public Use Plan for Montes Azules. The Montes Azules Biosphere Reserve protects the major portion of the remaining Lacandona Jungle, one of Mexico’s richest and most threatened ecosystems. Grantee Natura y Ecosistemas Mexicanos’ work is supporting the development of a Public Use Plan (PUP) to define the areas where tourism may take place and establish how the associated impacts will be monitored and responded to. During this quarter, Natura discussed with government agencies and local communities the proposed regulations that would be adopted as part of the PUP to reduce pressures from tourism on fragile and breeding grounds within the Reserve.
- Natura y Ecosistemas Mexicanos’ is also working to promote, in an area adjacent to Montes Azules, a community-based ecotourism project that positively contributes to conservation of

forested areas. During this quarter, Natura continued the preparation of the plan, focusing on identifying the sites outside the Reserve that have significant tourism potential, as well as on developing guidelines for how these sites would be managed to generate income and protect biodiversity.

- Ecotourism in Ejido Galacia. The activity focuses on developing the capacity of community members from the ejido to operate an ecotourism hotel. Ejido Galacia is adjacent to Montes Azules and has important biological connectivity functions with the Reserve. During this quarter, grantees Natura y Ecosistemas Mexicanos' work focused on continuing the training of ejido members, who would be switching from agricultural to tourism activities.

In addition, the following activities were carried out with CONANP:

- Ecotourism in Wetlands. The second and third of a series of trainings on ecotourism took place on the coast of Oaxaca, during May 3 – 7 and June 7- 11. The training focuses on developing the capacity of CONANP staff and community members living in wetland areas to provide professional ecotourism guiding services. Neither CONANP staff nor the communities have a formal training in this area and thus, USAID support is helping them to build the necessary capacities to attract the growing number of tourists that visit Oaxaca's coasts to enjoy its natural amenities.

#### **Changes in PMP**

No changes

#### **Deliverables:**

- Second deliverable from Natura y Ecosistemas Mexicanos on the PUP.
- Second deliverable from Natura y Ecosistemas Mexicanos on Ecotourism Plan for Marques de Comillas.
- Second deliverable from Natura y Ecosistemas Mexicanos on Ecotourism in Ejido Galacia.
- Report from second ecotourism training in wetlands.

#### **Events**

- Second and third ecotourism training in wetlands, held in Oaxaca, during May 3 – 7, and June 7 - 11, 2010.
- Public- private forum for wetland conservation in the Coast of Oaxaca, May 19, 2010.

#### **Publications:**

None.

**PMP Indicators:**

Indicators (Year 2):

	Target	Achieved Q3	Cumulative FY 2010
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve the sustainable management of natural resources and biodiversity	5	1	1
Number of people receiving USG supported training in natural resources management and/or biodiversity (male/female)	101 / 24	47 / 23	118 / 63
Number of <b>public-private dialogue mechanisms utilized</b> as a result of USG assistance	2	0	0
Number of policies, regulations and administrative procedures <b>implemented</b> that improve the sustainable management of natural resources and biodiversity	1	0	0



# COMPONENT 2. ECONOMIC GOVERNANCE

## C2 Sub-Component 1: Public Policies and Programs for Competitiveness and Innovation

### **Program Goal:**

Federal and state government agencies adopt and implement best practices in SME and innovation programs. Specifically, public sector development policies/programs in Mexico adopt rational selection criteria and performance-based indicators.

### **Year 2 Goals.**

- Produce proposals on best practices for innovation policy and disseminate to key public policy actors, especially at state government level;
- Produce three proposals for best practices and rules of operation in SME and/or competitiveness programs ; and
- Competitiveness index e-portal from the Sub secretariat of Competitiveness is available to the public.

### **Environmental Regulation Compliance**

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in Component 2, Subcomponent 1, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

**Status: GREEN**

### **Results narrative**

During Fiscal year 2010 all Competitiveness Program activities concerning public sector support for SMEs related to research or implementation, as well as state or Federal programs aimed at fostering innovation have been merged under a single tag dubbed “Public Policies and Programs for Competitiveness and Innovation”. With the budgetary increase in January, activities related to public policies and programs for competitiveness and innovation have also been expanded to include value chains, creation of websites with information on federal support programs and presentations for legislators and legislative aides on topics related to competitiveness.

- On May 10-13, the USAID/Mexico Competitiveness Program sponsored staff from of Fundación IDEA, a Mexican policy think tank, and Mexico’s National Technology Award, an NGO, to attend a conference entitled “SME innovation: Boosting Development and Growth in Time of Change,” held in Rio de Janeiro, Brazil. The three day seminar described how governments in developing and developed countries are aggressively pursuing SME innovation programs to promote economic development and

competitiveness. The study tour included meetings with the National Development Bank of Brazil (BNDES) and a presentation on Brazil's flagship innovation fund, CRIATECH, as well as Brazil's Science and Technology Agency, and a presentation on seed and venture Capital Funds --called INOVAR-- to promote SME innovation. Both Fundacion IDEA and the National Technology Award provide technical inputs and advice to Mexico's Ministry of Economy, which is currently in the early stages of implementing a national innovation strategy. Furthermore the all presentations made at the conference and meetings and BNDES and the National Technology agency were provided and discussed with officials at the Ministry of Economy in charge of implementing the innovation program.

- In April 29 and 30, the Program sponsored a 3 day seminar on Value Chains for wind energy in Huatulco ,Oaxaca. The Program supported the participation of the energy commissioner from Baja California to this event.
- At the end of May, Program staff and a consultant hired for the Value Chain renewable energy program made a trip to Mexicali Baja California for the launch of this program. The staff met with The Energy Commissioner, the State Undersecretary of Economic Development, a representative from the Institute of the Americas (IOA) and local consultants that were hired specifically for this project. The meeting was instrumental to refine functions that each participant will accomplish while doing the mapping of the wind energy value chain program and to revise which data and information is already available and the one that needs to be gathered. Finally the meeting was also useful to adjust the methodology and goals that can be accomplished in the short term and those that can pursued in the next fiscal year. During this fiscal year efforts will focus on identifying potential local suppliers for wind farms.
- The USAID/Mexico Competitiveness Program also decided to hire a qualified institution to assist in the development of a web-based tool that helps identify businesses that supply products and services that can be adapted for the emerging renewable energy industry in Baja. The Program will subcontract an institution during the fourth quarter to develop a pilot survey to test questions for potential suppliers of the RE chain, a Web base tool to map potential suppliers for the RE, and a training plan for local government official on the use of this tool. The result of this program will be reported in the fourth quarter.
- On June 29, Program staff also attended the invitation of a group of citizens, academics and state official from the State of Chihuahua that are drafting a proposal on renewable energy and RE value chains for the incoming state government. The brainstorming session was useful to define a matrix for RE energy that can be developed according to variables such as demand, state RE resources availability, technologies and potential development as well as institutional constrains and opportunities that need to be tackle to start the RE program. The matrix and the proposal will be presented at the new governor once he takes office in October.
- During this quarter IMCO (The Mexican Institute for Competitiveness) has made good progress in developing a geo-tagged web-based instrument to improve fiscal transparency and accountability that tracks the use of federal programs (such as Fondo PyME), contracts, grants, loans and subsidies and/or transfers to state and municipal government. A prototype with the information gathered for 2003 – 2005 has been created using public software. However IMCO is still awaiting some additional information from the Ministry of Finance to make this program fully operational.
- The technical assistance provided by Fundación IDEA for the innovation program at the undersecretary of industry and commerce has also been making good progress. Concerning the study of Human Capital in High Growth Sectors, most of the work has dealt with identifying high growth sectors (and subsectors) in Mexico and gathering statistical data concerning value added to GDP of those sectors, growth, contribution to

employment and average salary. IDEA has also identified the need of doing semi structured interviews with officials at the ministry of Economy, officials at CONOCER (a program for the certification of capacities from the Ministry of Education) and interviews with high ranking executives from firms in selected sectors, as well as headhunters firms. Finally IDEA has done some research concerning best international educational and training practices for high growth sectors in countries such as Singapore, South Korea, Taiwan Hong Kong, Peru and Costa Rica.

- Regarding the study on innovative SMEs most of the work of Fundación IDEA has dealt with secondary research and data gathering, data analysis and the development of the methodology. During this period Fundación IDEA has met with business incubators and accelerators to identify innovative firms in different sectors. They have also looked at the “Encuesta sobre Investigación y Desarrollo Tecnológico (ESIDET, México)” –a survey concerning research and technological development to see what aspect should be considered in a preliminary questionnaire that will be used to assess the characteristics of innovative SMEs.
- At the end of June, the Program received an additional request from the Ministry of Economy to support the redesign of a database concerning Mexican entrepreneurs dubbed Sistema Empresarial Mexicano (SIEM). The re-design should be done according to best international practices. The Secretaría de Economía petition indicates that the ministry has worked previously with Fundación IDEA in Small and Medium Enterprises public policy support programs and they wish to continue working with them on this project.
- In June, Team leader for Component 2 met with the Secretary of Development from the State of Morelos to discuss possibilities of Technical Assistance for FY 2010. There is a particular interest from the SEDECO to receive support for its
- Finally, at the end June the IT winning firm that will develop the portal on competitiveness requested by the Subsecretariat of Competitiveness began to work. Full operational capabilities for this portal will be achieved in the fourth quarter.

### **Changes in PMP**

None

### **Deliverables:**

- ◆ IDEA First Deliverable for Human Capital.

### **Events**

LAWEA April 29-30

INSME Rio de Janeiro (May 10-13)

### **Publications:**

None.

### **PMP Indicators:**

Indicators (Year 2):

	Target	Achieved Q3	Cumulative FY 2010
Number of people receiving USG supported training in SME policy development (male/female)	105/45	9/0	116/46
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness.	5	0	0
Number of private-public mechanisms for consultation utilized	2	0	0

## C2 Subcomponent 2: Competition Policy

### **Program Goal:**

Government of Mexico becomes more effective in curbing monopolies and eliminating anti-competitive practices.

### **Year 2 Goals.**

- Produce and promote an agenda on competition with the incoming legislature; and
- CFC officials and Mexican judges acquire economic and legal skills through training on criteria for deciding competition cases.

### **Environmental Regulation Compliance**

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in Component 2, Subcomponent 2, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

**Status: GREEN**

### **Results narrative**

This narrative includes activities under the Programs assistance to the Competition Network and technical assistance to CFC and the judiciary.

- On April 21, members of the Mexican Network on Competition and Regulation (a USAID/Mexico Competitiveness Program grantee) gathered with academics and officials from COFECO to discuss with Professors Kenneth Button and David Gillen, two experts on aviation regulation. The discussions centered around potential changes in the regulatory framework for aviation industry in Mexico and North America. COFECO suggested that they might ask for technical assistance from these experts in the not too distant future, since there has been an ongoing discussion by legislators and officials at the ministry of Communication and Transportation about the imperative to fuse the two biggest Mexican legacy carriers to form a national airline that will be competitive in size with American competitors.
- On April 22-23, Anahuac University’s MBA program and the USAID/Mexico Competitiveness Program co-sponsored the two day seminar “Importance of Access to Air Transport Services: Liberalization in Aviation Markets”. The seminar gathered specialists from Mexico, the US and Canada to assess trends in aviation markets and evaluate the effectiveness of deregulation in improving competition and consumer benefits in North America. The event was attended by 75 people from academia, Mexican government, and aviation industry and unions.
- From April 26 and during the next two months, the Mexican Network on Competition and Regulation secured an agreement with an advertising firm to broadcast a video about competition on the Metrobus, a public transportation system that runs high-traffic lines along the Mexico City’s busiest streets. The video was financed by the USAID/Mexico Competitiveness Program and produced by the Center for Research on Development, a

Mexican think tank. The video is being shown on Metrobus Line I, which runs from stations Indios Verdes in the north to Caminero in the south. Line I has an estimated 325,000 passengers per day (covering 45 stations along an 28 km trip). The video, which spreads awareness about how economic competition benefits consumers and competitiveness, is therefore reaching a large number of citizens, most of whom are not affluent and lack information about the topic.

- As part of the ongoing effort to strengthen the civil society presence in issues concerning competition, the Mexican Network on Competition and Regulation held a series of meetings with Mexican legislators from the lower chamber belonging to the Competitiveness Committee. The central purpose of these meetings --which were held on May 25 and 27 and in June 1 and 8-- was to analyze the soundness of different legislative proposals to reform regulatory agencies such the Commission of Telecommunications (COFETEL), the National Banking Commission (CNBV), the Energy Regulatory Commission (CRE) as well the Federal Commission of Regulatory Improvement (COFEMER). A document with conclusions of these meetings is being prepared by the Competitiveness Committee from the lower Chamber.
- In May 13 members from the Network as well as lawyers specialized in intellectual property and representatives from the pharmaceutical industry gathered in a closed roundtable with Prof. Michele Boldrin to talk about her recent book “Against Intellectual Monopoly”. The central argument of Boldrin’s book is that even though intellectual property (IP) is necessary to protect Research and Development (R and D) as well as investment, at times IP hinders innovation which is crucial factor for economic growth.
- Regarding electronic means of diffusion the Network published three electronic newsletters concerning competition topics corresponding to months of April, May and June. The Network also published an online paper concerning the procurement process in the National Oil Company (PEMEX) after new guidelines have been issued. The paper gathers opinions from experts of civil society regarding how these guidelines improve the procurement process from the national oil company over the previous normative framework. The document was also distributed physically among the members of the network and among key decision-makers at the Energy Ministry (SENER), CRE and PEMEX.
- On may 27, the Network revised a final version of the manuscript concerning regulation and competition in the LP gas industry that will appear in press in the next month.
- On June 16, the Network published the first, second and third place winners of the second national essay contest that dealt with the subject of why competition matters. The first price essay will be published in “Enfoque” the weekly political supplement of the influential Newspaper Reforma.
- The consultant hired in the previous quarter to produce a paper on Mexico’s main energy regulator (CRE) and the consultant who is developing a proposal for transparency criteria to use by judges while ruling in competition, intellectual property and industrial secret cases will finish their papers at the end of July. Meanwhile the Program hired a third consultant that will write a paper on the Federal Commission for Regulatory Improvement (COFEMER). The expert will propose what should be reformed to improve the functioning of COFEMER and what is the international “benchmark” for this type of regulatory body.
- The consultant that was hired for COFECO to document five best international practices concerning the promotion of a culture on competition that could be adapted to the Mexican context ended his consultancy. Nonetheless, COFECO requested an extension of his contract to implement his proposed strategy through a pilot program. This requires the consultant to organize a regional forum in the state of Jalisco where the

main topics of discussion by experts from COFECO and the OCDE will be centered on how to improve competition at the state and local level. Finally, the legal consultant specialized in litigation of competition cases and with experience on Amparo (appeals) that was hired in the first quarter for the national regulator continues to work on litigation case building.

- The Program has also acted on a request made by COFECO to translate from Spanish to English several pieces of competition legislation (prevailing law, proposed modification of the law and internal rules of operation at CFC) that will be displayed in its web page by hiring an expert translator through a competitive bidding process. The translator has begun its work which should end to in the fourth quarter.
- The competition regulator has requested a technical assistance from USAID to hire consultant to develop guidelines based on proven methods to undertake and evaluate statistical surveys during investigations. These statistical guidelines will help authorities clarify the rationale underlying assertions of anticompetitive practices that violate the law. The guidelines will also improve transparency in procedures, align technical practices to international standards, and increase legal certainty for the parties involved in investigations.
- The General Direction of Institutional Relations and International Affairs at Federal Competition Commission has also asked technical assistance from USAID to hire two highly experienced and internationally well known economists to create guidelines for establishing relevant market definition and market power dominance. The guidelines will be practical, and will include an operational framework for collecting and evaluating evidence. These documents will also help to refine the criteria used by the Commission to determine the parameters of key markets, and will help the COFECO apply the Federal Law on Economic Competition more effectively.
- As an ongoing effort to promote the exchange of expertise between national economic regulators, USAID supported the travel of COFECO's President and two high ranking officials from the Mexican agency to the trilateral NAFTA meeting of Regulation Authorities that was held in Washington DC in June 29.
- During this quarter the Mexican Institute for Competitiveness (IMCO) began to develop to develop a North American Index of Economic Competition and Consumer Rights (NAICOM) to improve economic competition and consumer rights in North American economies. According to IMCO's progress report, during these first two months most of the work has dealt with testing for the relevance of 100 variables through a series of econometric tests. A preliminary report that describes the methodology, institutions and markets that have been chosen as the basis for comparison will be released in July. Preliminary results indicate that NAICOM will be focusing on sectors such as energy, telecommunications and the financial sector.
- The consultant hired to write a script for a video that increases the awareness of government authorities and the general public of weak consumer protection, has selected two cases (one in the telecommunication sector and one in the insurance sector) has begun an extensive research on these topics. The papers will be finalized in the next quarter.
- Finally the consultant hired to provide technical assistance in determining how much (and which kind) of information to make publically available in competition cases for the judges will finish her research in the next quarter.

## Changes in PMP

None.

## Deliverables:

◆ Seminar program: The importance of Access to Air Transport Services.
◆ Book by CIDAC: Competencia y Regulación en el Mercado de Gas LP
◆ Electronic Paper: El nuevo estado de licitaciones de Petróleos Mexicanos a partir a partir de las Disposiciones Administrativas de Contratación.
◆ First price Competition Essay Contest
◆ Second Price Competition Essay Contest
◆ Third Price Competition Essay Contest
◆ Competition Advocacy, Best international Practices

## Events

Importance of Access to Air Transport Services: Liberalization in Aviation Markets April 21-22

## Publications:

Electronic Paper: ¿Competencia vs. Celeridad? El nuevo estado de licitaciones de Petróleos Mexicanos a partir a partir de las Disposiciones Administrativas de Contratación, relatado por Miriam Grunstein and María Cristina Capelo.

Book: *Competencia y Regulación en el mercado de Gas LP* por Darío Ibarra y Daniel Sesmas.

First Prize Competition Essay Contest: Franz Eichelman Kaiser “de las televisoras y otros demonios”

Alejandro Navarrete: Competition Advocacy, Best International Practices.

## PMP Indicators:

Indicators (Year 2)

	Target	Achieved Q3	Cumulative FY 2010
Number of Mexican officials (judges and CFC staff) receiving USG supported training (male/female)	70 / 30	80/32	156/56
Number of mechanisms for external oversight of public resource use supported by USG assistance implemented	1	0	0
Number of regulations, policies and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness	8	1	3



# COMPONENT 3. EFFICIENT PRECURSOR AND FACTOR MARKETS

## C3 SUBCOMPONENT 1: Greater Access to Microfinance

### Program Goal:

Best practices in credit analysis and risk management are mainstreamed among MFIs and MFI support organizations. Public sector organizations that support the MFI sector improve regulations that promote access to capital.

### Year 2 Goals:

- MFIs are trained in credit criteria and risk management that enable them to build stronger credit portfolios; and
- The Microfinance Network provides input and recommendations for more effective regulation and public policies to CNBV, national development banks and other government organizations that influence resource allocation in microfinance.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in Component 3, Subcomponent 1, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

- Program reached agreement with Mexico’s National Commission on Banking and Securities (CNBV) on TA for microfinance regulation and development of field manuals for MFIs and. CNBV and the Program are currently working on hiring the consultant who will develop the manual.
- Survey on the definition of microcredit and microfinance was completed; the consultant had meetings with several MFIs and decision makers in CNBV; He will send the recommendations and the draft report next month.
- Mexico Competitiveness Program is working with COLCAMI, one of the microfinance network participants, develop a MFI management manual about strategy planning; this manual include a study case about successful MFI in México. On July the materials will be printed.

## Changes in PMP

None

### Deliverables:

None.

### Events

None

**Publications:** None.

### PMP Indicators:

◆ Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of public-private dialogue mechanisms utilized as a result of USG assistance	1	1	0
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness	2	0	0
Number of microfinance institutions receiving USG supported training (male/female)	14 / 6	0 / 0	0 / 0
Number of MFI clients (rural microenterprises) receiving USG supported training (male/female)	17 / 8	0 / 0	0 / 0

## C3 Subcomponent 2: Improved Urban Water Management

### Program Goal:

Enhanced *competitiveness* (defined as the efficient operations and cost-effectiveness) of municipal water utilities through knowledge development, training, and adoption of competitiveness indicators; and greater public-private sector dialogue on wastewater management.

### Year 2 Goals:

- Municipal water providers adopt competitiveness indicators to improve their efficiency; and
- CONAGUA has resources and data required to negotiate effectively with industries and rural producers on the implementation of wastewater treatment measures.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in Component 3, Subcomponent 2, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold “No Risk.” Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

- We are looking for consultants and we are in the hiring process to develop the guidelines for the National Water Program 2013-2018.
- Field work (surveys, interviews, focus group) carried out for water service providers in Tuxtla Gutierrez, Morelia and Naucalpan. It will continue in Aguascalientes and Cd. Juarez.
- Co-sponsored with ANEAS the 7th national meeting of water culture in Tuxtla Gutierrez, Chiapas. Supported social communication seminar for water providers.
- The rules for a prize for best proposal that promotes payment for service and sustainable consumption were authorized and published on ANEAS website.
- We receive a proposal for develop a survey about the legal, regulatory and institutional framework for water and sanitation service in Mexico. The survey is in process.

### Changes in PMP

None.

**Deliverables:**

None.

**Events**

None.

**Publications:**

None.

**PMP Indicators:**

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of municipal water providers receiving USG supported training (male/female)	27 / 3	37 / 22	37 / 22
Number of policies, regulations and administrative procedures <b>implemented</b> that improve economic competitiveness	2	3	3
Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness	3	0	0

## C3 Subcomponent 3: Renewable Energy Promotion

### Program Goals:

(1) MFIs participate in GOM (and independent) projects to provide access to energy for off-grid rural communities; (2) Improve awareness and technical understanding of decision-makers and the public on the need for improved regulation and promotion of renewable energy; (3) Housing developers and public sector agree on standards for green mortgage package.

### Year 2 Goals:

- (1) Link GOM efforts to encourage development of small scale rural renewable energy projects to microfinance opportunities; (2) Inform legislators and the public about the shortcomings of the existing legal framework; (3) Present best practices for renewable energy promotion to municipal and state governments.
- Support the development of standards for the Federal Government's Green Mortgage Program. Contribute to the development of a model that includes other partners.

### Environmental Regulation Compliance

All activities carried out by the USAID/Mexico Competitiveness Program conform to US environmental regulations (22 CFR 216) requiring evaluation to ensure that no adverse environmental impacts (that cannot be mitigated) result from the activities. All activities included in Component 3, Subcomponent 3, were subject to an Environmental Screening (using the Environmental Screening Form included in the *Guidelines for implementing partners on the USAID LAC Environmental Mitigation Plan*) and determined to hold "No Risk." Documentation of this process is available upon request

Status: **GREEN**

### Results narrative

- Complete manuscript for book on renewable energy potential and policy recommendations delivered by ITAM
- USAID supported the participation of one SENER and two CRE officials and the General Director of the Centro Mario Molina at the "Clean Energy, Good Governance and Electricity Regulation Forum" organized by the World Resources Institute and held in Cape Town, South Africa. Energy regulators and experts from four emerging economies (Brazil, India, South Africa and Mexico), the US and UK shared experiences in promoting renewable energy and the increasing role that regulators play in the transition towards clean energy.
- COLEF delivered a preliminary list of actors (in the private, public and social sectors) that are currently engaged in renewable energy activities in Ciudad Juárez, Chihuahua. During the fourth quarter, COLEF will carry out interviews and focus groups to help assess potential demand for renewable energy self-supply arrangements.

- Meeting with Director of INFONAVIT and agreement on Program’s contribution to Green Mortgage initiative, this initiative started on June with a pilot research about new eco-technologies, they asks for the Ambassador participation in a international forum about sustainable housing. We are working with INFONAVIT to develop the communication strategy for the actual customers.
- The general guidelines for the technical committee to evaluate the GDF solar water heating norms were developed and the first committee was established.
- Draft study on reduction of CO2 emission reductions from solar water heating standard was presented to GDF.
- The Government of Mexico City requested that a group of environmental and resource conservation consultants supported by the Program become part of its “Subcomisión de Energía Renovable”.
- Booklet with guidelines for development of RE projects for municipalities was published and the program support two seminars for the municipalities on June 2 in Morelos and June 28 in Jalisco.

### Changes in PMP

None.

### Deliverables:

- Complete manuscript for book on renewable energy potential and policy recommendations
- Draft study on reduction of CO2 emission reductions from solar water heating standard

### Events

- Seminars for the municipalities on June 2 in Morelos and June 28 in Jalisco

### Publications:

- guidelines for development of RE projects for municipalities

### PMP Indicators:

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of MFIs receiving USG supported training on credit analysis of renewable energy projects (male/female)	8 / 2	0 / 0	0 / 0

Number of policies, regulations and administrative procedures <b>drafted and proposed</b> that improve economic competitiveness	7	1	1
Number of public sector officials receiving USG supported training in energy regulation, benefits and promotion (male/female)	45 / 5	198 / 33	198 / 33



### C3 Subcomponent 4: International best practice for industry/labor force productivity agreements

#### Year 2 Goal.

Increased awareness of union and industry leaders about the mutual benefits that can be obtained through productivity agreements. The adoption of such agreements can lead to greater investment of time and capital in workforce training and development.

Status: **RED**

#### Results narrative

Main partner for this activity has not delivered an SOW or established union or industry partners. The COP will formally recommend cancellation of this activity in the 4<sup>th</sup> quarter.

#### Changes in PMP

None

#### Deliverables:

##### Events

None.

##### Publications:

None.

#### PMP Indicators:

Indicators (Year 2):

	Target	Achieved Q2	Cumulative FY 2010
Number of union and industry leaders receiving USG supported training on productivity agreements (male/female)	8 / 0	0 / 0	0 / 0
Number of policies, regulations and administrative procedures drafted and proposed that improve economic competitiveness	1	0	0